



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

6450

### Testimony of the Connecticut Insurance Department

#### Before The Insurance and Real Estate Committee

Tuesday, February 17th, 2009

#### House Bill ~~6450~~—An Act Concerning the Settlement Amount on Totaled Motor Vehicles

The Connecticut Insurance Department would like to offer the following comments on HB 6450 – An Act Concerning the Settlement Amount on Totaled Motor Vehicles.

The proposed legislation seeks to change the current methodology used to establish a value for totaled motor vehicles by using the highest of two established valuation sources approved by the Commissioner rather than the average of the “Blue Book” value and one other source. In addition, the proposal seeks to set a minimum ‘floor’ settlement amount equal to the retail value of a similar totaled motor vehicle at a Connecticut dealership. The proposal also requires that sales tax be taken into account in calculating the settlement amount for a totaled vehicle and we would like to point out that existing statutes under the Unfair Claim Settlement provisions in Title 38a (Section 38a-816(16)) already include such a requirement.

The Insurance Department believes that the current statutory scheme for valuing totaled motor vehicles is working efficiently and effectively in the marketplace and that this proposal would (1) create unnecessary complexities and, possibly, distorted valuations of totaled motor vehicles and (2) potentially increase auto insurance premiums. Specifically, it is unclear why the legislation seeks to use the highest valuation rather than the average of the Blue Book value and one other industry source. In addition, we believe it would be impractical for Insurance Department staff to attempt to discern the retail value of a totaled motor vehicle at a Connecticut car dealership as retail values are not uniformly established. Also, the Department is uncertain whether such vehicles may be sold at retail by dealerships under Motor Vehicle statutes.

The Department further believes that changes to the existing valuation system for totaled vehicles would add additional costs to the claim settlement process and could raise premiums for consumers since insurers would need to use the highest retail value and additional costs would be associated with establishing the retail value ‘floor’ at a Connecticut dealership. In addition, these additional steps would lengthen the time before a settlement check could be sent to the insured who may be in urgent need to replace their totaled vehicle.

For your convenience, we have attached a copy of the Frequently Asked Questions that appear on our website which give consumers detailed information about repairs to their damaged vehicles. These materials also outline the current methodology being used to value totalled motor vehicles as well as those valuation sources that have been approved for use by the Commissioner.